

CIGNA CORP  
Form 10-Q  
October 30, 2008

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-08323

CIGNA Corporation  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction  
of incorporation or organization)

06-1059331  
(I.R.S. Employer  
Identification No.)

Two Liberty Place, 1601 Chestnut Street  
Philadelphia, Pennsylvania 19192  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (215) 761-1000

Not Applicable  
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller Reporting Company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of October 17, 2008, 271,723,618 shares of the issuer's common stock were outstanding.

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CIGNA CORPORATION

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As used herein, "CIGNA" or the "Company" refers to one or more of CIGNA Corporation and its consolidated subsidiaries.

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## Part I. FINANCIAL INFORMATION

## Item 1. Financial Statements

CIGNA Corporation  
Consolidated Statements of Income

(In millions, except per share amounts)	Unaudited Three Months Ended September 30,		Unaudited Nine Months Ended September 30,	
	2008	2007	2008	2007
Revenues				
Premiums and fees	\$ 4,112	\$ 3,744	\$ 12,165	\$ 11,209
Net investment income	272	281	802	840
Mail order pharmacy revenues	300	278	882	826
Other revenues	191	83	463	256
Realized investment gains (losses)	(23)	27	(28)	37
Total revenues	4,852	4,413	14,284	13,168
Benefits and Expenses				
Health Care medical claims expense	1,806	1,659	5,450	5,107
Other benefit expenses	1,062	837	2,907	2,507
Mail order pharmacy cost of goods sold	238	225	704	669
Guaranteed minimum income benefits expense	98	-	353	120
Other operating expenses	1,416	1,190	4,152	3,522
Total benefits and expenses	4,620	3,911	13,566	11,925
Income from Continuing Operations before Income Taxes	232	502	718	1,243
Income taxes (benefits):				
Current	65	125	274	420
Deferred	(3)	14	(54)	(34)
Total taxes	62	139	220	386
Income from Continuing Operations	170	363	498	857
Income (Loss) from Discontinued Operations, Net of Taxes	1	2	3	(5)
Net Income	\$ 171	\$ 365	\$ 501	\$ 852
Earnings Per Share - Basic:				
Income from continuing operations	\$ 0.62	\$ 1.30	\$ 1.80	\$ 3.01
Income (loss) from discontinued operations	0.01	-	0.01	(0.02)
Net income	\$ 0.63	\$ 1.30	\$ 1.81	\$ 2.99
Earnings Per Share - Diluted:				
Income from continuing operations	\$ 0.62	\$ 1.28	\$ 1.78	\$ 2.95
Income (loss) from discontinued operations	-	-	0.02	(0.01)
Net income	\$ 0.62	\$ 1.28	\$ 1.80	\$ 2.94
Dividends Declared Per Share	\$ -	\$ 0.010	\$ 0.040	\$ 0.028

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

CIGNA Corporation  
Consolidated Balance Sheets

	Unaudited As of September 30, 2008	As of December 31, 2007
(In millions, except per share amounts)		
Assets		
Investments:		
Fixed maturities, at fair value (amortized cost, \$11,777; \$11,409)	\$ 11,892	\$ 12,081
Equity securities, at fair value (cost, \$140; \$127)	127	132
Commercial mortgage loans	3,558	3,277
Policy loans	1,553	1,450
Real estate	51	49
Other long-term investments	576	520
Short-term investments	64	21
Total investments	17,821	17,530
Cash and cash equivalents	1,078	1,970
Accrued investment income	251	233
Premiums, accounts and notes receivable	1,627	1,405
Reinsurance recoverables	7,048	7,331
Deferred policy acquisition costs	816	816
Property and equipment	791	625
Deferred income taxes, net	1,010	794
Goodwill	2,859	1,783
Other assets, including other intangibles	1,089	536
Separate account assets	6,386	7,042
Total assets	\$ 40,776	\$ 40,065
Liabilities		
Contractholder deposit funds	\$ 8,555	\$ 8,594
Future policy benefits	8,069	8,147
Unpaid claims and claim expenses	4,089	4,127
Health Care medical claims payable	1,054	975
Unearned premiums and fees	457	496
Total insurance and contractholder liabilities	22,224	22,339
Accounts payable, accrued expenses and other liabilities	5,105	4,127
Short-term debt	315	3
Long-term debt	2,090	1,790
Nonrecourse obligations	14	16
Separate account liabilities	6,386	7,042
Total liabilities	36,134	35,317
Contingencies — <u>Note 15</u>		
Shareholders' Equity		
Common stock (par value per share, \$0.25; shares issued, 351)	88	88
Additional paid-in capital	2,498	2,474
Net unrealized appreciation (depreciation), fixed maturities	\$ (107)	\$ 140
Net unrealized appreciation, equity securities	9	7
Net unrealized depreciation, derivatives	(16)	(19)

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Net translation of foreign currencies	(18)	61	
Postretirement benefits liability adjustment	(122)	(138)	
Accumulated other comprehensive income (loss)		(254)	51
Retained earnings		7,582	7,113
Less treasury stock, at cost		(5,272)	(4,978)
Total shareholders' equity		4,642	4,748
Total liabilities and shareholders' equity	\$	40,776	\$ 40,065
Shareholders' Equity Per Share	\$	17.05	\$ 16.98

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

CIGNA Corporation  
Consolidated Statements of Comprehensive Income and Changes in Shareholders'  
Equity  
(In millions)

Three Months Ended September 30,	Unaudited			
	2008	2008	2007	2007
	Compre- hensive Income	Share- holders' Equity	Compre- hensive Income	Share- holders' Equity
Common Stock, September 30		\$ 88		\$ 88
Additional Paid-In Capital, July 1		2,493		2,460
Effect of issuance of stock for employee benefit plans		5		5
Additional Paid-In Capital, September 30		2,498		2,465
Accumulated Other Comprehensive Loss, July 1		(84)		(257)
Net unrealized appreciation (depreciation), fixed maturities	\$ (133)	(133)	\$ 51	51
Net unrealized appreciation (depreciation), equity securities	2	2	(3)	(3)
Net unrealized appreciation (depreciation) on securities	(131)		48	
Net unrealized appreciation (depreciation), derivatives	14	14	(1)	(1)
Net translation of foreign currencies	(56)	(56)	18	18
Postretirement benefits liability adjustment	3	3	16	16
Other comprehensive income (loss)	(170)		81	
Accumulated Other Comprehensive Loss, September 30		(254)		(176)
Retained Earnings, July 1		7,412		6,513
Net income	171	171	365	365
Effects of issuance of stock for employee benefit plans		(1)		(10)
Common dividends declared		-		(3)
Retained Earnings, September 30		7,582		6,865
Treasury Stock, July 1		(5,155)		(4,795)
Repurchase of common stock		(125)		(236)
Other, primarily issuance of treasury stock for employee benefit plans		8		25
Treasury Stock, September 30		(5,272)		(5,006)
Total Comprehensive Income and Shareholders' Equity	\$ 1	\$ 4,642	\$ 446	\$ 4,236

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

CIGNA Corporation  
Consolidated Statements of Comprehensive Income and Changes in Shareholders'  
Equity  
(In millions)

Nine Months Ended September 30,	Unaudited			
	2008	Share-	2007	Share-
	Compre-	holders'	Compre-	holders'
	hensive	Equity	hensive	Equity
	Income		Income	
Common Stock, January 1		\$ 88		\$ 40
Effect of issuance of stock for stock split		-		48
Common Stock, September 30		88		88
Additional Paid-In Capital, January 1		2,474		2,451
Effect of issuance of stock for employee benefit plans		24		62
Effect of issuance of stock for stock split		-		(48)
Additional Paid-In Capital, September 30		2,498		2,465
Accumulated Other Comprehensive Income (Loss), January 1 prior to implementation effect		51		(169)
Implementation effect of SFAS No.155		-		(12)
Accumulated Other Comprehensive Income (Loss), January 1 as adjusted		51		(181)
Net unrealized depreciation, fixed maturities	\$ (247)	(247)	\$ (73)	(73)
Net unrealized appreciation (depreciation), equity securities	2	2	(3)	(3)
Net unrealized depreciation on securities	(245)		(76)	
Net unrealized appreciation (depreciation), derivatives	3	3	(11)	(11)
Net translation of foreign currencies	(79)	(79)	23	23
Postretirement benefits liability adjustment	16	16	69	69
Other comprehensive income (loss)	(305)		5	
Accumulated Other Comprehensive Loss, September 30		(254)		(176)
Retained Earnings, January 1 prior to implementation effects		7,113		6,177
Implementation effect of SFAS No. 155		-		12
Implementation effect of FIN 48		-		(29)
Retained Earnings, January 1 as adjusted		7,113		6,160
Net income	501	501	852	852
Effects of issuance of stock for employee benefit plans		(21)		(139)
Common dividends declared		(11)		(8)
Retained Earnings, September 30		7,582		6,865
Treasury Stock, January 1		(4,978)		(4,169)
Repurchase of common stock		(347)		(1,158)
Other, primarily issuance of treasury stock for employee benefit plans		53		321
Treasury Stock, September 30		(5,272)		(5,006)
Total Comprehensive Income and Shareholders' Equity	\$ 196	\$ 4,642	\$ 857	\$ 4,236

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.





CIGNA Corporation  
Consolidated Statements of Cash Flows

(In millions)

Cash Flows from Operating Activities  
Net income

Unaudited Nine Months Ended September 30,	
2008	2007
\$ 501	\$ 852